

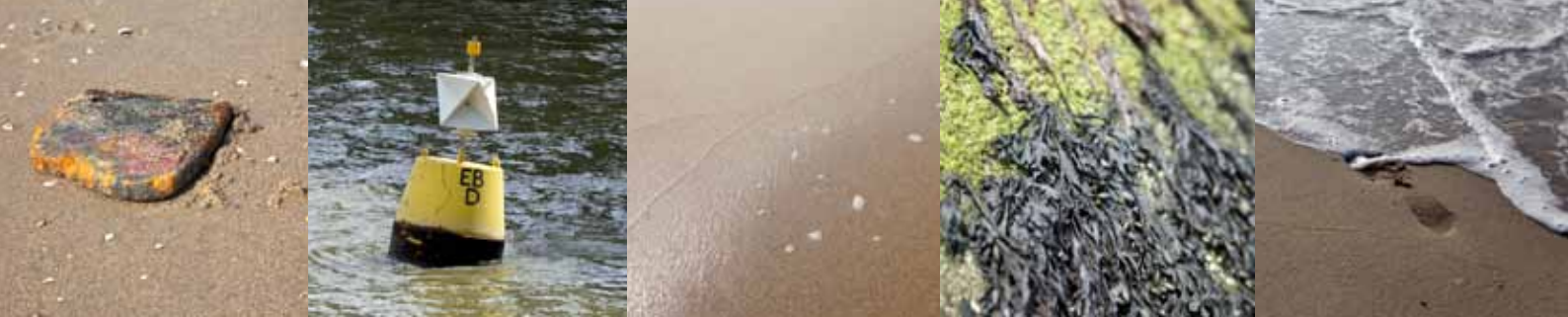


Annual Report 2010

PMT
pensioenfonds
Metaal & Techniek



Tides



Foreword

Like the rest of the pension sector, PMT the pension fund for metalworking and mechanical engineering had an eventful year in 2010. The still hesitant economic recovery, reflected in the fund's positive investment results, played out against a background of continuing difficulties. The coverage ratio was severely affected by the volatile interest rates, which fell to an all-time low in the summer but rose again as the year progressed. Figures published later in the year showed that life expectancy in the Netherlands was still rising, and at a faster rate than previously expected. That was good news for most of us, but it meant that pension funds would face higher costs in future than they had anticipated.

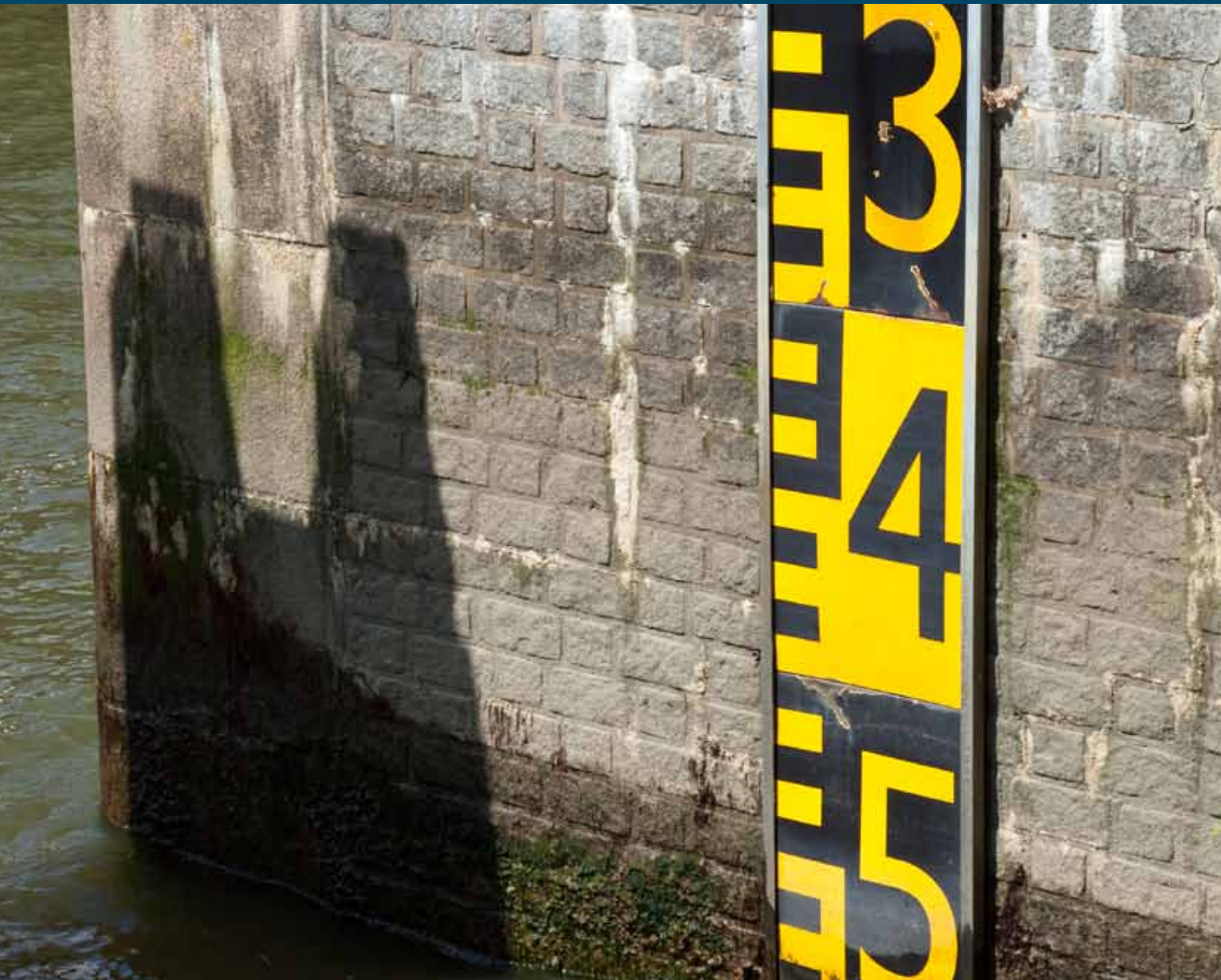
2010 was also a year of intensive discussion on the future of our system of collectively funded pensions, a system that is renowned the world over for its relatively low costs, its accumulated pension capital and its wide coverage. The high proportion of employees in the Netherlands saving substantial supplementary pensions through employer-operated schemes is unique. The system protects many people against financial hardship in old age and for that reason alone is of immense value, but it needs modernising. Employees and employers have been able in the past to adapt the pension system to changing circumstances, but the necessary changes were not always accomplished without difficulty. There is much at stake – for employees, for pensioners, for the private sector and for government. The importance of the interests involved is reflected in what can be difficult negotiations. By early 2011, it was still unclear when employers' and employees' organisations could reach an agreement.

PMT cannot make a start on changes to its own pension plan until employers, employees and government reach agreement at central level. It is not possible at this stage to say precisely what form that agreement will take, but it has become obvious to everyone in recent years that our pension system is not without its risks. These risks were always present, but were not discussed as explicitly as they are now. The sharing of risks must be fair, must be clearly embodied in a new pension contract and must be clearly communicated if we are to avoid future disappointments and prevent a breakdown of the relationship of trust between pension funds and their members.

Absolute security is too expensive and would lead to costly and relatively poor pension plans. Careful management of investment risks is therefore necessary to maintain pensions at a good level. An industry-wide pension plan for the engineering and mechanical and electrical contracting sector provides good protection against the inevitable risks which we, as individuals, would be unable to bear. Depending on the circumstances in which we find ourselves, that may require extra effort and greater sacrifices.

J. Berghuis,
Chairman, representing employees

K.B. van Popta,
Chairman, representing employers



Key figures



Employers and participants

(numbers)	2010	2009	2008	2007	2006
Affiliated employers with staff	33,938	34,502	34,516	33,735	33,302
Participants					
Active participants	400,689	410,842	424,940	417,772	402,450
Non contributing participants	655,369	642,259	617,322	606,568	604,207
Pensioners					
Old-Age pension	119,318	109,480	99,206	89,770	79,689
Early-retirement pension	1,291	5,053	8,987	12,617	15,531
Partner's pension	49,789	48,579	47,467	48,531	45,997
Orphan's pension	1,978	1,994	2,031	1,996	2,205
Total pensioners	172,376	165,106	157,691	152,914	143,422
Total participants	1,228,434	1,218,207	1,199,953	1,177,254	1,150,079
Members in receipt of ANW (General Surviving Dependants Act) benefit ¹⁾	940	871	824	747	656
Surrenders ²⁾	10,421	10,759	13,668	10,455	8,607
Contributing participants					
Average salary (* 1 euro)	33,694	32,555	31,213	32,039	NB ³⁾
Average age (years)	40.4	39.9	39.6	39.4	40.5

Pension liabilities and pension capital

(x 1 million euro)					
Pension liabilities					
Contributing participants		17,730	14,842	16,036	10,812
Non-contributing participants		6,870	5,537	5,340	3,651
Pensioners		14,224	12,685	11,776	10,177
Total pension liabilities	(a)	38,824	33,064	33,152	24,640
Market interest rate for actuarial purposes		3,44%	3,86%	3,51%	4,85%
General reserve	(b)	- 1,242	9	- 5,064	10,057
Pension capital	(c = a+b)	37,582	33,073	28,088	34,697
Coverage ratio	(d=c/a)	96.8%	100.0%	84.7%	128.4%

1) Participants with a partner's pension who are also in receipt of benefit by virtue of their voluntary contributions to the reinsured 'ANW shortfall' product (making up the state benefit under the General Surviving Dependants Act).
2) This includes surrenders before pension date.
3) N.B.: Average salary has been included in the key figures for the first time in 2009. No reliable information is available for the year 2006.

Contributions

	2010	2009	2008	2007	2006
<i>Contribution rates</i>					
Old-age pension and partner's pension ⁴⁾	28.6	27.3	25.2	26.0	26.8
<i>Contributions (x 1 million euro)</i>					
Old-age pension and partner's pension	1,935	1,840	1,644	1,599	1,537
Early-retirement pension	-	-	-	2	2
Total contributions	1,935	1,840	1,644	1,601	1,539

Benefits

<i>(x 1 million euro)</i>					
Old-age pension	992	830	672	550	363
Early retirement pension	67	175	278	351	413
Partner's pension	161	153	145	138	121
Orphan's pension	3	3	3	3	3
ANW shortfall benefits	11	10	9	8	7
Subtotal	1,234	1,171	1,107	1,050	907
Surrenders	18	18	18	15	13
Total benefit payments	1,252	1,189	1,125	1,065	920
<i>(x 1 euro)</i>					
<i>Average benefit payments ⁵⁾</i>					
Old-age pension and early retirement pension	8,787	8,776	8,779	8,800	8,150
Partner's pension	3,227	3,153	3,061	2,844	2,631
Orphan's pension	1,437	1,424	1,434	1,503	1,361
Surrenders	1,738	1,660	1,330	1,435	1,510

4) Contributions are charged at this rate on that part of the participant's annual pensionable salary which lies between the contribution-free allowance of €15,004 (2008: €14,520) an upper limit in 2009 of €73,287 (2008: €70,809). Contributions are charged at 17.7% on the pensionable salary in excess of the upper limit.

5) The average figure shown represents the total benefit expense relative to the total number of pensioners as at year-end.



Other results

(x 1 million euro)	2010	2009	2008	2007	2006
Investment returns	3,854	4,301	- 7,277	1,911	2,596
Inward value transfers	20	77	316	819	155
Outward value transfers	1	2	118	99	65
Costs (including investment costs)	117	103	101	111	107

Investments

(x 1 million euro)	2010	2009	2008	2007	2006
<i>Composition of portfolio at year-end ⁶⁾</i>					
Fixed-income investment	19,897	17,443	15,013	13,385	11,930
Equities	8,468	7,464	5,234	11,919	12,072
Real estate	4,290	3,753	3,874	4,644	4,251
Alternative investments	4,870	4,358	3,975	4,587	3,260
Total investment capital	37,525	33,018	28,096	34,535	31,513
<i>Composition of portfolio at year-end ⁶⁾</i>					
Fixed-income investment	53.0%	52.8%	53.4%	38.8%	37.9%
Equities	22.6%	22.6%	18.6%	34.5%	38.3%
Real estate	11.4%	11.4%	13.8%	13.4%	13.5%
Alternative investments	13.0%	13.2%	14.2%	13.3%	10.3%
Total invested capital	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Total return per asset class ⁶⁾</i>					
Fixed-income investments	9.6% ⁷⁾	11.3% ⁷⁾	-7.1%	-0.3%	0.2%
Equities	20.3%	39.3%	-43.1%	8.7%	15.2%
Real estate	10.1%	-2.0%	-15.6%	6.3%	22.9%
Alternative investments	8.0%	13.3%	-26.6%	25.3%	7.6%
<i>Split of return on total invested capital</i>					
Direct return	3.2%	3.6%	3.3%	3.2%	3.2%
Total return	11.6%	15.1%	-20.7%	5.9%	9.1%
<i>Z-score</i>					
Z-score for year	1.40	1.06	-4.25	1.14	1.09
Performance test	1.47	1.56	1.31	3.09	2.28

6) The investment categories (value and returns) are presented in key figures and the minutes of the Management Board according to the strategic investment policy. This results in the fact that profits related to derivatives, cash-like instruments and foreign exchange are allocated to the respective investment category. Due to this, invested capital and investment return in the annual accounts differ from the key figures. On the balance sheet and in the profit and loss account, investments are presented in line with financial instruments.

As a consequence part of the invested capital on the balance sheet is included in Other Assets and Liabilities (in stead of under the item Investments). In the explanation of the annual accounts on the items Returns (6) and Investment Returns (16) more details are disclosed.

7) Including duration overlay



Contribution and indexation policy in 2011

In line with the recovery plan and the policy framework, the contribution rate was again raised by one percentage point in 2011 to 17.1% of salary, which equates to 30.3% of pensionable salary. The pensionable salary is that part of the salary which lies between the contribution-free allowance of €15,295 and the upper limit of €75,486, above which the pension contribution rate is 21.3%. In 2010, these rates were 28.6% and 18.7%, respectively.

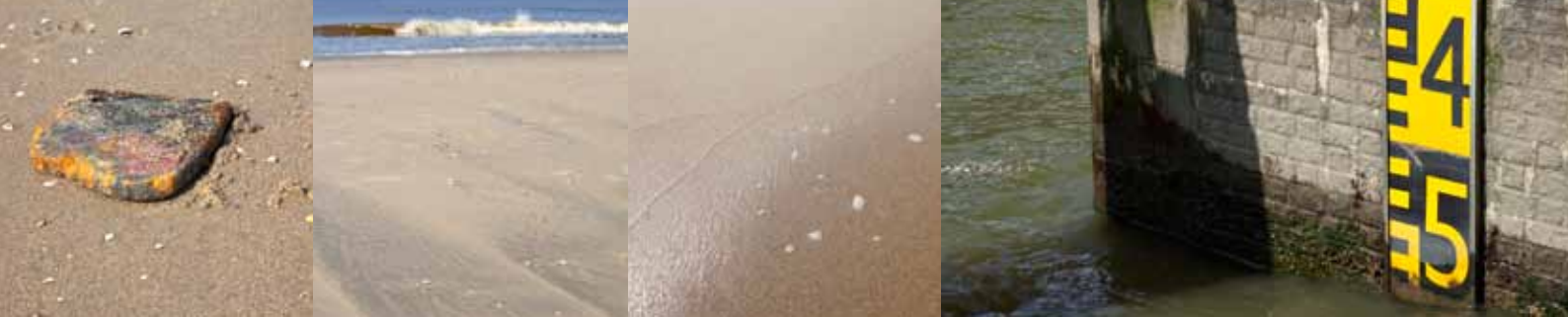
The smoothed cost-covering contribution rate for 2011 is 28.5% of pensionable salary, using a smoothed interest rate of 4%. As for indexation (increases in pensions to keep pace with price or wage inflation), neither the policy framework nor the recovery plan offers scope for awarding increases in 2011. This means that the accrued pension rights of active participants will not be increased in line with the pay rise agreed under the collective labour agreement, nor will cost-of-living increases be awarded to former participants or pensioners.

The Executive Board takes the view that, by increasing contributions and forgoing indexation, the burden of restoring the pension fund to financial equilibrium can be more evenly shared among active participants, former participants, pensioners and employers. New agreements reached between the employers' and employees' organisations in the national Pension Contract are expected to be reflected in the contribution and indexation policy.

Evaluation of recovery plan

PMT's Executive Board considered the preliminary findings of the evaluation of the recovery plan at its meeting in November 2010. Given the low interest rates and the effects of rising life expectancy, it was unclear at the time whether the coverage ratio at the end of 2010 would be at the level required by the recovery plan. As part of the evaluation of the recovery plan, the Executive Board asked the general management in November to investigate and quantify the effects of possible emergency measures and prepare communications relating to those measures. At year-end, the recovery was found to be on track thanks to the rising interest rates, as such it was not necessary to announce benefits cuts for next year.

In light of its experience of the highly volatile conditions and the accompanying fluctuations in the funding ratio, PMT's Executive Board set up an action plan that applies to extreme circumstances in which drastic measures might be required. Linked to this, the regulator (DNB) also requested the Executive Board to draw up a crisis management plan to serve as the basis for action in any future crisis situations or impending crises. This crisis plan was submitted to DNB early in 2011.



PMT's results

The pension fund's overall return on its assets in 2010 was 11.6%, as in 2009 clearly outperforming the benchmark return of 10.7%. The pension fund also achieved higher returns than the benchmarks⁸⁾ for the individual asset classes.

Returns by asset	Actual	Benchmark
Fixed income investments	9.6%	8.6%
Equities	20.3%	19.8%
Real estate	10.1%	8.5%
Alternative investments	8.0%	6.1%
Total	11.6%	10.7%

The returns achieved by pension funds show wide variation owing to differences in size, liability profile, asset mix and other factors. PMT's overall result in 2010 was slightly lower than other large Dutch pension funds. This was a direct consequence of the lower level of interest rate hedging by PMT, especially in the first half of 2010, compared with other large pension funds. Over the past ten years, however, PMT has been among the top performing pension funds in the Netherlands.

8) The benchmark is made up of the usual benchmark indices.



Integrated risk management

Risk management has to be constantly refined in the face of the increasingly difficult economic conditions and further enhancement of risk management policy was accordingly a key issue in 2010. The pension fund appointed a risk manager in early 2010 and adopted a new integrated risk management policy in the course of the year. An important element of this policy was the enhancement and, where necessary, extension of risk reporting in relation to asset management. In addition to more detailed risk information, a comprehensive risk dashboard system was implemented to provide improved identification and control of the main financial risks at pension fund level.

Compliance

One aspect of the integrated risk management policy is the Compliance Programme, which covers the entire spectrum of existing and proposed policy, internal and external regulation and briefing activities and the compliance monitoring programme. The Code of Conduct and the Incident Policy, which are updated and signed off annually by the Executive Board, are important elements of this.



Management succession

At the end of June 2010, Bert van de Belt took his retirement and stood down as General Manager of PMT, a post he had held since 2003. PMT has found a successor for Mr. Van de Belt as General Manager in the person of Guus Wouters, who has extensive management and other professional experience in the pension- and insurance industry and is familiar with how the employers' and employees' organisations conduct negotiations on socio-economic matters.

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